

*Financial Report*

*Habitat for Humanity St. Tammany West*

*June 30, 2013*



Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAR 05 2014

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,  
Habitat for Humanity St. Tammany West,  
Mandeville, Louisiana.

### **Report on the Financial Statements**

We have audited the accompanying statement of financial position of Habitat for Humanity St. Tammany West (a non-profit organization) ("HFHSTW") which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to HFHSTW's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HFHSTW's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity St. Tammany West as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Habitat for Humanity St. Tammany West financial statements, and our report dated November 14, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued a report dated November 26, 2013 on our consideration of the HFHSTW's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering HFHSTW's internal control over financial reporting and compliance.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
November 26, 2013.

## **STATEMENT OF FINANCIAL POSITION**

### **Habitat for Humanity St. Tammany West Mandeville, Louisiana**

June 30, 2013  
(with comparative totals for 2012)

#### **ASSETS**

	<u>2013</u>	<u>2012</u>
<b>Current Assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 197,390	\$ 550,754
Reserved - Escrow deposits	140,583	126,796
Mortgage notes receivable - current portion, net (Note 4)	569,058	540,967
Pledges receivable - current portion, net (Note 5)	16,667	25,000
Grants receivable	15,094	100,872
Accounts receivable	91,494	99,479
Inventory	45,978	89,651
Other assets	21,213	2,964
Construction in progress	627,110	328,680
	<u>1,724,587</u>	<u>1,865,163</u>
<b>Total current assets</b>		
	<u>1,724,587</u>	<u>1,865,163</u>
<b>Property And Equipment (Note 2j)</b>		
Building and improvements	1,639,722	1,639,722
Land	540,829	540,829
Vehicles	163,859	157,297
Office furniture and equipment	126,565	126,565
Less accumulated depreciation	(608,646)	(541,504)
	<u>1,862,329</u>	<u>1,922,909</u>
<b>Total property and equipment, net</b>		
	<u>1,862,329</u>	<u>1,922,909</u>
<b>Other Assets</b>		
Long term portion of mortgage notes receivable, net of unamortized discounts (Note 4)	4,184,129	4,043,758
Investment in HFHI-SA Leverage I, LLC (Note 6)	3,187,653	3,120,240
Land held for future home sites	826,671	870,012
Loan obligation costs, net (Note 2l)	79,016	119,585
Prepaid loan costs	16,394	32,735
Long-term portion of pledges (Note 5)	23,250	-
	<u>8,317,113</u>	<u>8,186,330</u>
<b>Total other assets</b>		
	<u>8,317,113</u>	<u>8,186,330</u>
<b>Total assets</b>	<u>\$ 11,904,029</u>	<u>\$ 11,974,402</u>

See notes to financial statements.

**LIABILITIES AND NET ASSETS**

	<u>2013</u>	<u>2012</u>
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 167,456	\$ 195,528
Term loan (Note 7)	-	417,773
Lines of credit (Note 8)	625,000	238,294
Current maturities of notes payable (Note 9)	127,673	168,364
Accrued remediation costs (Note 14)	20,000	50,000
Deferred revenue	19,435	31,857
Escrow deposits	<u>140,583</u>	<u>126,796</u>
Total current liabilities	<u>1,100,147</u>	<u>1,228,612</u>
<b>Long Term Liabilities</b>		
Long term portion of notes payable (Note 9)	2,355,232	2,068,004
QLICI note payable (Note 6)	<u>3,757,086</u>	<u>3,757,086</u>
Total long term liabilities	<u>6,112,318</u>	<u>5,825,090</u>
Total liabilities	<u>7,212,465</u>	<u>7,053,702</u>
<b>Net Assets</b>		
Unrestricted	4,651,647	4,920,700
Temporarily Restricted (Note 5 and 10)	<u>39,917</u>	<u>-</u>
Total net assets	<u>4,691,564</u>	<u>4,920,700</u>
Total liabilities and net assets	<u><u>\$ 11,904,029</u></u>	<u><u>\$ 11,974,402</u></u>

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS****Habitat for Humanity St. Tammany West  
Mandeville, Louisiana**For the year ended June 30, 2013  
(with comparative totals for 2012)

	2013		
	Unrestricted	Temporarily Restricted	Totals
			2012
<b>Support and Revenue</b>			
Sales of houses (Note 11)			
Sales revenue	\$ 1,038,342		\$ 1,038,342
Less: mortgage note receivable discount	(603,213)		(603,213)
Amortization of mortgage note receivable discount (Note 11)	364,689		364,689
ReStore revenues	859,522		859,522
Grants	454,213		454,213
Contributions	724,353		724,353
Event revenues			
Event income	272,756	\$ 39,917	312,673
Event expenses	(32,795)		(32,795)
HFHI-SA investment income (Note 6)	95,926		95,926
Contributions in-kind	121,006		121,006
Other revenue	36,529		36,529
<b>Total support and revenue</b>	<b>3,331,328</b>	<b>39,917</b>	<b>3,371,245</b>
<b>Expenses</b>			
Program services			
Housing	2,384,112		2,384,112
ReStore	697,111		697,111
Supporting services			
Management and general	317,819		317,819
Fundraising	201,339		201,339
<b>Total expenses</b>	<b>3,600,381</b>	<b>-</b>	<b>3,600,381</b>
<b>Changes in net assets</b>	<b>(269,053)</b>	<b>39,917</b>	<b>(229,136)</b>
<b>Net assets</b>			
Beginning of year	4,920,700	-	4,920,700
End of year	\$ 4,651,647	\$ 39,917	\$ 4,691,564

See notes to financial statements.



**STATEMENT OF FUNCTIONAL EXPENSES****Habitat for Humanity St. Tammany West**  
Mandeville, LouisianaFor the year ended June 30, 2013  
(with comparative totals for 2012)

	Program Expenses		Supporting Services		Totals	
	Housing	ReStore	Management and General	Fund-Raising	2013	2012
<b>Wages</b>	\$ 587,729	\$ 316,097	\$ 162,662	\$ 137,317	\$ 1,203,805	\$ 1,129,507
<b>Occupancy</b>						
Interest	105,560	28,968	28,513	-	163,041	123,027
Utilities	9,175	33,150	7,333	1,775	51,433	48,320
Insurance	24,700	14,656	3,496	3,666	46,518	46,129
Repairs and maintenance	9,568	17,254	5,664	763	33,249	17,676
Total occupancy	149,003	94,028	45,006	6,204	294,241	235,152
<b>Operating</b>						
Direct construction costs - NMTC	140,279	-	-	-	140,279	118,391
Direct construction costs - other	1,237,462	-	-	-	1,237,462	1,476,938
Cost of goods sold	-	48,767	-	-	48,767	57,203
Supplies and general	4,278	8,577	10,450	1,756	25,061	32,510
Vehicle fuel, insurance, and maintenance	11,400	10,616	937	758	23,711	26,130
Other operating costs	71,689	67,318	25,339	24,776	189,122	169,558
Total operating	1,465,108	135,278	36,726	27,290	1,664,402	1,880,730
<b>Administrative</b>						
Payroll taxes and benefits	122,835	63,585	26,799	27,532	240,751	204,402
Professional fees	53,910	30,313	42,821	2,996	130,040	169,486
Total administrative	176,745	93,898	69,620	30,528	370,791	373,888
<b>Depreciation</b>	5,527	57,810	3,805	-	67,142	84,838
Total functional expenses	\$ 2,384,112	\$ 697,111	\$ 317,819	\$ 201,339	\$ 3,600,381	\$ 3,704,115

See notes to financial statements.

**STATEMENT OF CASH FLOWS****Habitat for Humanity St. Tammany West  
Mandeville, Louisiana**For the year ended June 30, 2013  
(with comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ (229,136)	\$ (473,832)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	67,142	84,838
Gain on sale of land held for future home sites	(974)	-
Income from HFHI-SA Leverage I, LLC	(95,926)	(95,926)
Amortization of loan obligation costs	40,569	38,756
Interest and loan charges included in refinancing	21,156	-
Donation of equipment	(6,562)	-
Donations of land held for future home sites	(8,000)	(58,006)
Decrease (increase) in assets:		
Mortgage notes receivable	(168,462)	(249,294)
Pledges receivable	(14,917)	50,000
Grants receivable	85,778	(95,872)
Accounts receivable	7,985	(95,387)
Inventory	43,673	(29,542)
Other assets	(18,249)	(2,964)
Construction in progress	(298,430)	128,626
Deposit on future land developments	-	400,000
Prepaid loan costs	16,341	(32,735)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(28,072)	26,188
Deferred revenue	(12,422)	(43,143)
Accrued remediation costs	(30,000)	-
Escrow deposits	13,786	15,063
 Net cash used in operating activities	 <u>(614,720)</u>	 <u>(433,230)</u>

**Exhibit D  
(Continued)**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Investing Activities</b>		
Distribution from HFHI-SA Leverage I, LLC	28,513	28,513
Purchases of property and equipment	-	(12,043)
Proceeds from sale of land held for future home sites	128,524	193,758
Purchases of land held for future home sites	<u>(76,209)</u>	<u>(254,165)</u>
Net cash provided by (used in) investing activities	<u>80,828</u>	<u>(43,937)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from lines of credit	686,736	588,292
Proceeds from notes payables	30,280	1,047,925
Repayments of lines of credit	(335,402)	(730,502)
Repayments of term loan	(24,355)	(43,846)
Principal payments on notes payable	<u>(162,944)</u>	<u>(96,879)</u>
Net cash provided by financing activities	<u>194,315</u>	<u>764,990</u>
<b>Net Increase (Decrease) In Cash and Cash Equivalents</b>	(339,577)	287,823
<b>Cash and Cash Equivalents</b>		
Beginning of year	<u>677,550</u>	<u>389,727</u>
End of year	<u><u>\$ 337,973</u></u>	<u><u>\$ 677,550</u></u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Habitat for Humanity St. Tammany West  
Mandeville, Louisiana**

June 30, 2013 and 2012

**Note 1 - NATURE OF ACTIVITIES**

Habitat for Humanity St. Tammany West ("HFHSTW") was founded in 1981 as the tenth affiliate of Habitat for Humanity International and first in the State of Louisiana. HFHSTW's vision is a world where everyone has a decent place to live and its mission is implemented by bringing people together to build homes, communities, and hope. HFHSTW identifies and acquires building sites and builds housing for workforce and low-income family partners. These homes, located in the western half of St. Tammany Parish, are sold to qualified family partners who have contributed 300-400 hours of sweat equity and signed non-interest bearing mortgage notes. HFHSTW relies heavily on volunteer efforts, donations from individuals, churches and companies, Habitat's Fund for Humanity, government and private grants, and various other financing vehicles to fund the construction projects.

Habitat's Fund for Humanity consists of non-interest bearing mortgage receivable payments from existing homeowners (see Note 4). In effect, homeowners, when making monthly mortgage payments for their homes, are supporting the construction financing for future homeowners.

HFHSTW also operates a 20,000 square foot ReStore facility from which it primarily sells donated building materials and home furnishings to middle and low income customers. The net proceeds from ReStore operations are used to fund the acquisition of some of the building sites and construction of some of the homes referred to in the previous paragraphs.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****a. Organization and Income Taxes**

HFHSTW is a nonprofit organization organized under the laws of the State of Louisiana and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"), and qualifies as an organization that is not private foundation as defined in Section 509(a) of the IRC. It is also exempt from Louisiana income tax under the authority of R.S. 47.121(5).

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a. Organization and Income Taxes (Continued)**

Accounting standards provide detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statements. These standards require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. As of June 30, 2013, management believes HFHSTW has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. HFHSTW recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. Tax years ended June 30, 2010 and later remain subject to examination by the taxing authorities.

**b. Basis of Accounting**

The financial statements of HFHSTW are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenses are recorded when incurred.

**c. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that impact certain reported amounts and disclosures. Actual results could differ from those estimates.

**d. Basis of Presentation**

Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of HFHSTW and changes thereto are classified and reported as:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of HFHSTW and/or the passage of time.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Basis of Presentation (Continued)**

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that are maintained permanently by HFHSTW. Generally, the donors of such assets permit the donor to use all or part of the income earned from these assets for general or specific purposes. As of June 30, 2013 and 2012, HFHSTW had no permanently restricted net assets.

**e. Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, HFHSTW considers all short-term highly liquid investments with an original maturity of one year or less from the date of acquisition to be cash equivalents.

**f. Reserved Cash**

HFHSTW services the mortgages on the homes it sells. Included in cash and cash equivalents are amounts received from homeowners for insurance and property taxes and for mortgage payments received prior to closing. Reserved cash for escrow deposits as of June 30, 2013 and 2012 was \$140,583 and \$126,796, respectively.

**g. Mortgage Notes Receivable**

Mortgage notes receivable consist of non-interest bearing mortgage notes which are collateralized by real estate in the St. Tammany West area and payable in monthly installments over the life of the mortgage loans. The mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present value based on an imputed amount of interest. The discounts are amortized over the lives of the mortgage loans. The imputed interest rates are set by Habitat International. The rates are based on a twelve month average rate published by the Internal Revenue Service plus a risk factor of 3%. Mortgage notes receivable are considered past due if payments are more than thirty days late. Management believes that the values of such collateral are in excess of the mortgage notes receivable as of June 30, 2013 and 2012 and therefore no allowance for losses has been provided.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**h. Pledges Receivable**

Contributions are recognized when the donor makes a pledge to HFHSTW that is, in substance, unconditional. Conditional pledges are recognized when the conditions on which the pledge are substantially met. Pledges receivable are recognized as assets, net of an allowance for uncollectible amounts. HFHSTW provides for estimated uncollectible pledge receivables based on prior years' experience and management's analysis of specific pledges made. As of June 30, 2013, the allowance for uncollectable amounts was \$7,535. As of June 30, 2012, an allowance was not considered necessary.

**i. Inventory**

Inventory represents building materials and goods to be sold in the ReStore operations, as well as building materials and goods on hand for use in the construction of homes. Gift-in-kind inventory is recorded at the fair value on the date of receipt, and such items are expensed as program services expense when used based on the specific identification method. Purchased inventory is recorded at the lower of cost or market determined by the specific identification method. As of June 30, 2013 and 2012, inventory totaled \$45,978 and \$89,651, respectively.

**j. Property and Equipment**

Property and equipment consists of land, buildings and improvements, office furniture and equipment, and is stated at cost or fair market value at date of donation, net of accumulated depreciation. Repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets. Buildings are depreciated over thirty years. Other depreciable property and equipment is depreciated over five to twelve years. HFHSTW has established a policy capitalizing all expenditures for property and equipment in excess of \$5,000 with a useful life of five or more years. For the years ended June 30, 2013 and 2012, depreciation expense totaled \$67,142 and \$84,838, respectively.

**k. Construction in Progress**

Construction in progress represents all direct material, labor, land, and infrastructure costs incurred to construct family housing. Revenue is recognized under the full accrual method when a sale is consummated and the homeowner is obligated under a mortgage.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k. Construction in Progress (Continued)**

As of June 30, 2013 and 2012, construction in progress included:

	<u>2013</u>	<u>2012</u>
New homes under construction	\$ 457,239	\$ 47,278
Reposessed homes	<u>169,871</u>	<u>281,402</u>
Total construction in progress	<u>\$ 627,110</u>	<u>\$ 328,680</u>

**l. Loan Obligation Costs**

Certain costs related to the New Markets Tax Credit Financing (see Note 6) have been capitalized and are being amortized over the estimated life of the related notes payable. Financing and loan acquisition costs totaled \$233,752 for both years ended June 30, 2013 and 2012. Accumulated amortization totaled \$154,736 and \$114,167 as of June 30, 2013 and 2012, respectively.

**m. Compensated Absences**

Accumulated paid time off is payable upon termination of employment and is accrued. HFHSTW's obligation as of June 30, 2013 and 2012 totaled \$67,885 and \$64,526, respectively, which is included in accounts payable and accrued expenses on the Statement of Financial Position.

**n. Contributions and Revenue Recognition**

Contributions are recognized when the donor makes an unconditional promise to give. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions were made. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Gifts of long-lived operating assets such as land, buildings, or equipment are reported as unrestricted support, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.



**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**n. Contributions and Revenue Recognition (Continued)**

Contributions of non-cash assets such as materials and equipment used in construction of homes are recorded as deferred revenue at their fair or estimated values in the period received. When the non-cash asset is utilized in the construction of homes it is then recorded as revenue. The balance of non-cash assets recorded as deferred revenue and held for construction as of June 30, 2013 and 2012 totaled \$19,435 and \$31,857, respectively.

**o. Donated Services of Volunteers and Other In-Kind Donations**

A substantial number of volunteers have given extensive amounts of time and services to HFHSTW. However, no amounts are reflected in the financial statements for such services as management feels that the requirements for recording in-kind services have not been satisfied. Other contributed services that require specialized skills provided by individuals possessing those skills and otherwise needing to be purchased if not provided by donation are recognized as revenue and expense and totaled \$33,021 and \$69,599 for the years ended June 30, 2013 and June 30, 2012, respectively.

Donations of materials, supplies, and other totaled \$87,985 and \$102,559 for the years ended June 30, 2013 and 2012, respectively.

**p. Sales Tax**

The State of Louisiana and St. Tammany Parish imposes a sales tax of 8.75% on all of HFHSTW sales to non exempt customers. HFHSTW collects that sales tax from customers and remits the entire amount to the State. For the years ended June 30, 2013 and 2012, HFHSTW paid state sales taxes totaling \$72,704 and \$87,772, respectively. Sales tax collected and paid is not reported as revenues and expenses on the statement of activities and charges in net assets.

**q. Advertising Expense**

HFHSTW uses advertising to promote ReStore operations and fundraising activities. The production costs of advertising are expensed as incurred. For the years ended June 30, 2013 and 2012, advertising costs totaled \$20,138 and \$15,924, respectively.

**Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**r. Allocated Expenses**

Expenses are summarized on a functional basis. Salaries and related payroll expenses are distributed based upon the time spent for each function. Allocation of all other shared expenses is based upon management's estimates of the usage applicable to conducting various program or support activities.

**s. Reclassifications**

Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

**t. Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 26, 2013.

**Note 3 - CONCENTRATION OF CREDIT RISK**

HFHSTW builds and rehabilitates homes in the St. Tammany West area. As a result, all of the mortgage receivables from homeowners are concentrated as to geographic risk. Also, all homes built are transferred to low-income families, which can represent a credit risk.

HFHSTW maintains cash balances at several local financial institutions where the funds are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of June 30, 2013 and 2012, HFHSTW had no cash deposits in excess of the insured limits.

**Note 4 - MORTGAGE NOTES RECEIVABLE**

HFHSTW sells its completed homes to family partners in exchange for a mortgage note (see Note 11) secured by the residence with typical repayment terms over 15 to 35 years and bearing 0% interest. As of June 30, 2013, HFHSTW held 213 non-interest bearing loans, 106 of which (\$5,159,681 gross carrying value) are pledged to secure certain notes payable. As of June 30, 2012, HFHSTW held 203 non-interest bearing loans, 112 of which (\$6,299,290 gross carrying value) were pledged to secure certain notes payable (see Note 9).

**Note 4 - MORTGAGE NOTES RECEIVABLE (Continued)**

As of June 30, 2013 and 2012, a summary of the mortgage notes receivable was:

	<u>2013</u>	<u>2012</u>
Mortgage notes receivable	\$ 10,525,430	\$ 10,118,443
Unamortized discount	<u>(5,772,243)</u>	<u>(5,533,718)</u>
Net	<u>\$ 4,753,187</u>	<u>\$ 4,584,725</u>
Current	\$ 569,058	\$ 540,967
Long-term	<u>4,184,129</u>	<u>4,043,758</u>
	<u>\$ 4,753,187</u>	<u>\$ 4,584,725</u>

As of June 30, 2013, contractual maturities of mortgage receivables were as follows:

2014	\$ 569,058
2015	569,058
2016	569,058
2017	567,968
2018	565,944
Thereafter	<u>7,684,344</u>
	<u>\$ 10,525,430</u>

**Note 5 - PLEDGES RECEIVABLE**

HFHSTW purchased a piece of land from an unrelated foundation during the year ended June 30, 2009. The purchase agreement included a \$25,000 annual donation to HFHSTW for five years, beginning July 2009 and each July thereafter until fulfilled. As of June 30, 2012, \$25,000 was considered a current pledge receivable. The purchase agreements annual donation of \$25,000 was fulfilled as of June 30, 2013. There were no remaining balances reported as a long-term pledge receivable as of June 30, 2013 and 2012.

During the year ended June 30, 2013, HFHSTW held the Community Partners Breakfast ("CPB") in which donors made unconditional promises to give for up to five years. These long-term pledges were discounted using a rate of 5%. Management has estimated \$7,535 of pledges to be uncollectible as of June 30, 2013.

**Note 5 - PLEDGES RECEIVABLE (Continued)**

As of June 30, 2013, a summary of the CPB pledge receivables were as follows:

Pledge receivables at beginning of year	\$ -
New CPB pledges made during the year	75,720
Less:	
Cash received	(26,023)
Write - offs	<u>-</u>
Pledge receivables at end of year	49,697
Unamortized discount	(2,245)
Allowance for doubtful promises	<u>(7,535)</u>
Pledge receivables, net	<u>\$ 39,917</u>
Current portion	\$ 16,667
Long-term	<u>23,250</u>
Total	<u>\$ 39,917</u>

Future maturities of pledge receivables are as follows:

2014	\$ 26,447
2015	22,450
2016	400
2017	<u>400</u>
	<u>\$ 49,697</u>

**Note 6 - NEW MARKETS TAX CREDIT**

On July 1, 2008, HFHSTW invested, along with four other Habitat for Humanity affiliates, in a joint venture, HFHI-SA Leverage I, LLC (the "LLC"), to take advantage of New Market Tax Credit ("NMTC") financing. NMTC financing allows an entity to receive a loan or investment capital from outside investors who, in exchange, will receive new market tax credits to be applied against their federal tax liability. HFHSTWs total investment in the LLC as of June 30, 2013 and 2012 totaled \$3,187,653 and \$3,120,240. Interest income earned on the investment in the LLC totaled \$95,926 for each of the years ended June 30, 2013 and 2012. HFHSTW secured a 15 year loan in the amount of \$3,757,086 payable to a community development entity ("QLICI note payable"). The loan proceeds have been and will continue to be used solely for the purpose of constructing and selling qualified housing properties to low income residents. The loan accrues interest only for years one through seven at the rate

**Note 6 - NEW MARKETS TAX CREDIT (Continued)**

of 0.759% per annum. Beginning in year eight through year fifteen, the principal balance of the loan is to be reduced by an eight-year amortization at the same interest rate of 0.759%. Interest expense on this note totaled \$28,513 for both years ended June 30, 2013 and 2012. The balance of the note payable as of June 30, 2013 and 2012 was \$3,757,086 on both dates.

Included in the Statement of Financial Position as of June 30, 2013 is \$79,016 in unamortized closing costs net of amortization (\$119,585 for June 30, 2012), relating to the NMTC Program. These costs are being amortized over seven years on a straight line basis.

**Note 7 - TERM LOAN**

HFHSTW transferred \$500,000 of its then existing line of credit to an annually renewable promissory note at a financial institution bearing interest at 3.75% with a 10 year amortization. During the year ended June 30, 2013, the note was paid in full. As of June 30, 2012, the promissory note had an outstanding balance of \$417,773. The note was collateralized with certain assets of HFHSTW. For the years ended June 30, 2013 and 2012, interest expense on the term loan totaled \$10,228 and \$16,852, respectively.

**Note 8 - LINES OF CREDIT**

In February 2013, HFHSTW obtained a line of credit at a financial institution with an interest rate of 3.25%, with a maturity date of February 19, 2014. Borrowings under the line are collateralized by certain assets of HFHSTW. The maximum borrowing limit is \$1,000,000. As of June 30, 2013, HFHSTW had an outstanding balance of \$625,000. For the year ended June 30, 2013, interest expense on the line of credit totaled \$5,272.

In February 2012, HFHSTW obtained a line of credit at a financial institution with an interest rate of 2.1%, with a maturity date of February 28, 2013. Borrowings under the line were collateralized by certain assets of HFHSTW. The maximum borrowing limit was \$500,000. During the year ended June 30, 2013, the line of credit was paid in full. As of June 30, 2012, HFHSTW had an outstanding balance of \$225,000. For the years ended June 30, 2013 and 2012, interest expense on the line of credit totaled \$5,211 and \$5,053, respectively.

**Note 8 - LINES OF CREDIT (Continued)**

In June 2012, HFHSTW obtained a line of credit, used solely for constructing homes in the Groves at Mile Branch Creek subdivision. The maximum borrowing limit of this loan was \$400,000, subject to a credit limit of \$50,000 per house. The interest rate was 3.5%, with a maturity date of June 8, 2013. Borrowings under the line were collateralized by certain assets of HFHSTW. As of June 30, 2012, HFHSTW had an outstanding balance of \$13,294. During the year ended June 30, 2013, the line of credit was paid in full. For the years ended June 30, 2013 and 2012, interest expense on the line of credit totaled \$2,452 and \$10, respectively.

**Note 9 - NOTES PAYABLE**

As of June 30, 2013 and 2012, HFHSTW had the following notes payable:

	<u>2013</u>	<u>2012</u>
Note payable to Home Bank. The note is due in one hundred nineteen equal installments of \$12,263 and one balloon payment estimated at \$1,192,122. The note bears interest at 4.5% and is secured by ReStore land and buildings.	\$ 1,907,726	\$ -
Note payable to Habitat for Humanity International. The note is due in forty quarterly installments of principal and interest of \$16,394 beginning June 30, 2012, with the final payment due June 30, 2022. The note bears interest at 4.75% and is secured by mortgages and notes receivable.	477,971	519,600
Note payable to Habitat for Humanity International. The note is due in forty-seven monthly installments of principal of \$1,302 beginning June 2011, with the final payment due July 1, 2015. The note does not bear interest and is unsecured.	38,803	54,427
Note payable to Habitat for Humanity International. The note is due in forty-seven monthly installments of principal of \$847 beginning January 2015 with the final payment due January 2019. The note does not bear interest and is unsecured.	30,280	-

**Note 9 - NOTES PAYABLE (Continued)**

	<u>2013</u>	<u>2012</u>
Note payable to Habitat for Humanity International. The note is due in forty-seven monthly installments of principal of \$585 beginning July 2013 with the final payment due June 2017. The note does not bear interest and is unsecured.	28,125	28,125
Note payable to Whitney Bank. The note was due in thirty-six interest only installments beginning in July 2005 and three hundred and twenty-two monthly installments of principal and interest of \$3,998 and a final payment due May 28, 2035. The note bore interest at 4.62% and was secured by ReStore land and buildings. The loan was refinanced in 2013.	-	675,249
Note payable to Habitat for Humanity International. The note was due in forty quarterly installments of principal and interest of \$16,341 beginning December 31, 2011, with the final payment due December 31, 2021. The note bore interest at 5.50% and was secured by mortgages and notes receivable. The loan was refinanced in 2013.	-	481,143
Note payable to an individual. The note was due in forty equal quarterly installments of principal and interest of \$7,183 beginning December 2009, with the final payment due December 1, 2019. The note bore interest at 5.00% and was secured by mortgages and notes receivable. The loan was refinanced in 2013.	-	173,812

**Note 9 - NOTES PAYABLE (Continued)**

	<u>2013</u>	<u>2012</u>
Note payable to an individual. The note was due in forty equal quarterly payments of principal and interest of \$6,384 with the final payment due January 31, 2020. The note bore interest at 5.00% and was secured by mortgages and notes receivable. The loan was refinanced in 2013.	-	163,242
Note payable to an individual. The note was due beginning with one initial quarterly principal and interest payment of \$5,802 in January 2010, and thirty-nine equal quarterly principal and interest payments of \$5,586 with the final payment due October 1, 2019. The note bore interest at 5.00% and was secured by mortgages and notes receivable. The loan was refinanced in 2013.	-	139,036
Note payable to JPMorgan Chase Bank, NA. The note was due in sixty equal monthly installments of principal of \$193, beginning in April 2008 with the final payment due March 15, 2013. The note did not bear interest and was unsecured.	-	1,734
	<u>2,482,905</u>	<u>2,236,368</u>
Less current portion	<u>(127,673)</u>	<u>(168,364)</u>
Long term	<u>\$ 2,355,232</u>	<u>\$ 2,068,004</u>

Principal payments are due in the following amounts for the year ending June 30, 2013:

2014	\$ 127,673
2015	137,726
2016	139,725
2017	137,876
2018	131,226
Thereafter	<u>1,808,679</u>
	<u>\$ 2,482,905</u>



**Note 9 - NOTES PAYABLE (Continued)**

Total interest expense for the above notes payable totaled \$111,365 and \$72,599 for the years ended June 30, 2013 and 2012, respectively.

**Note 10 - TEMPORARILY RESTRICTED NET ASSETS**

As of June 30, 2013, HFHSTW temporarily restricted net assets of \$39,917, are time restricted by donors. There were no restrictions as of June 30, 2012.

**Note 11 - SALES OF HOUSES**

HFHSTW charges no interest on the mortgages receivable from its partner families. The mortgages are recorded net of a discount to present value, considering both the time value of money and the historic credit risk associated with HFHSTW's homeowners. The result is a significant non-cash reduction of revenue. The discount is then amortized as interest income over the life of the mortgage as principal payments are collected. For the years ended June 30, 2013 and 2012, the following amounts are included in the Statement of Activities and Changes in Net Assets:

	<u>2013</u>	<u>2012</u>
Sales of houses		
Sales income	\$ 1,038,342	\$ 1,403,173
Mortgage discount expense	<u>(603,213)</u>	<u>(751,783)</u>
Sale of house, net of discount expense	<u>\$ 435,129</u>	<u>\$ 651,390</u>
Amortization income on mortgage notes receivable discount	<u>\$ 364,689</u>	<u>\$ 276,546</u>

**Note 12 - RETIREMENT PLAN**

HFHSTW adopted a defined contribution plan, which allows eligible participating employees to contribute by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Plan allows HFHSTW to contribute a discretionary amount on a uniform basis to all participants. HFHSTW's contribution to the Plan totaled \$17,002 and \$16,154 for the years ended June 30, 2013 and 2012, respectively.

**Note 13 - OPERATING LEASE**

During the year ended June 30, 2013, HFHSTW entered into an operating lease for a freightliner truck to be used in ReStore operations. Lease expense related to the freightliner totaled \$7,430 for the year ended June 30, 2013.

Future minimum lease payments are as follows:

<u>June 30,</u>	
2014	\$ 10,188
2015	10,188
2016	10,188
2017	10,188
2018	10,188
Thereafter	<u>6,792</u>
	<u>\$ 57,732</u>

**Note 14 - CONTINGENCY**

During the year ended June 30, 2012, HFHSTW identified twenty-four modular homes constructed in a prior year that had manifested symptoms and resulted in property damage. HFHSTW entered into an agreement to remediate the damages to the homes. Management estimated an amount of \$50,000 that would be required to pay for the cost of the renovations and, therefore, recorded an expense and liability in that amount for the year ended June 30, 2012. HFHSTW incurred an additional \$72,613 of costs for these renovations for the year ended June 30, 2013.

As of June 30, 2013, HFHSTW had identified one home constructed in a prior year that has manifested symptoms and resulted in property damage. HFHSTW estimated the cost required to correct the damage to be \$20,000 which has been accrued for the year ended June 30, 2013.

**Note 15 - SUPPLEMENTAL CASH FLOW INFORMATION**

	<u>2013</u>	<u>2012</u>
Cash paid for interest	<u>\$ 150,931</u>	<u>\$ 123,027</u>

Non-cash financing activities include the refinancing of debt for the year ended June 30, 2013. Debt refinanced during 2013 totaled \$2,574,459. Related interest of \$12,110 and loan fees of \$9,046 were included in the new loan.

During the year ended June 30, 2013, equipment acquired by donation was \$6,562.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors,  
Habitat for Humanity St. Tammany West,  
Mandeville, Louisiana.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Habitat for Humanity St. Tammany West (the "HFHSTW"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon, dated November 26, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the HFHSTW's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of HFHSTW's internal control. Accordingly, we do not express an opinion on the effectiveness of the HFHSTW's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be a material weakness or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether HFHSTW's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of HFHSTW's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering HFHSTW's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended for the information of the Board of Directors, management, the State of Louisiana, the Legislative Auditor for the State of Louisiana, Federal Awarding Agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

New Orleans, Louisiana,  
November 26, 2013.

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Habitat for Humanity St. Tammany West Mandeville, Louisiana**

For the year ended June 30, 2013

#### **Section I - Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified that are not considered to be a material weakness? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

##### **b) Federal Awards**

HFHSTW did not expend more than \$500,000 in federal awards during the year ended June 30, 2013, and therefore, is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

#### **Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

##### **Internal Control Over Financial Reporting**

There were no findings noted during the audit for the year ended June 30, 2013 related to internal control over financial reporting.

##### **Compliance and Other Matters**

There were no findings noted during the audit for the year ended June 30, 2013 related to compliance and other matters.

#### **Section III - Federal Award Findings and Questioned Costs**

Not applicable.

## **REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

**Habitat for Humanity St. Tammany West**

Mandeville, Louisiana

For the year ended June 30, 2013

### **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

#### **Internal Control Over Financial Reporting**

##### **12-01 Dual Signatures Over Check Signing**

**Recommendation** - HFHSTW should have two persons review signed checks in order to verify that all checks that are required to have dual signatures are appropriately signed.

**Current Status** - Resolved. Appropriate internal controls have been implemented and these are appropriately monitored.

#### **Compliance and Other Matters**

No compliance findings material to the financial statements were reported during the audit of the financial statements for the year ended June 30, 2012.

### **Section II - Internal Control and Compliance Material to Federal Awards**

HFHSTW did not expend Federal awards in excess of \$500,000 during the year ended June 30, 2012, and therefore is exempt from the audit requirements under the Single Audit Act and OMB Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations.

### **Section III - Management Letter**

A management letter was not issued in connection with the audit of the financial statements for the year ended June 30, 2012.



# **MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Habitat for Humanity St. Tammany West**

Mandeville, Louisiana

For the year ended June 30, 2013

## **Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements**

### **Internal Control Over Financial Reporting**

No material weaknesses were reported during the audit of the financial statements for the year ended June 30, 2013.

No significant deficiencies were reported during the audit of the financial statements for the year ended June 30, 2013.

### **Compliance and Other Matters**

No compliance findings material to the financial statements were reported during the audit for the year ended June 30, 2013.

## **Section II - Internal Control and Compliance Material to Federal Awards**

HFHSTW did not expend more than \$500,000 in Federal awards during the year ended June 30, 2013 and, therefore, was exempt from the audit requirements Under the Single Audit Act and OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations.

## **Section III - Management Letter**

A management letter was not issued in connection with the audit for the year ended June 30, 2013.